

# Trenggalek Typical Food Diversification Strategies for Increasing Competitiveness in the SDGS Era by Using a Business Model Canvas

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While facing product competition occurs in today's market, one should continue to innovate. The selected strategy is diversification and product innovation. Determining product diversification and innovation, appropriate management strategies, business models and analyses were needed. There were many strategies explained in a business model because they related to numerous aspects of business. The business model includes managing the purpose of relationship with suppliers, distributors or customers directly. The Business Model Canvas is a business strategy management system that allows us to describe, design and then narrow down several aspects of business into a single business strategy. This research is a descriptive study using a qualitative approach about the fields of micro, small and medium enterprises (UMKM), processed foods typically of Trenggalek. The results show that the small and medium business participants have actually implemented Canvas Business Model and Product Diversification, using strengths, weaknesses, opportunities and threats (SWOT) as an analysis tool and also indirectly. Another finding is that business operators found it difficult to reach international markets (exports) due to issues of documents, legality, licensing and access. From the findings, the researchers modified and created a suitable canvas business model to fit the behaviour of UMKM in Trenggalek by referring to and combining several successful UMKM in Trenggalek. The researcher compiled a module on how to reach the international market in the era of SDGs.

**Keywords:** *Product diversification, small businesses, competitiveness, SDGs, canvas business models.*

## Background

The unreliable fundamentals of the Indonesian economy have encouraged the government to build economic structures by considering the existence of micro, small and medium enterprises (UMKM). This sector has been proven to provide employment and opportunities for small and medium enterprises (UMKM) to develop in the community. The existence of UMKM is not in doubt, because it is proven to be able to survive and become an economic driver, especially after the economic crisis.

The era of sustainable development goals (SDGs) is a new platform and new terminology that has been agreed to by countries in the world today. One of the agreements is developing a global partnership for development. Referring to the agreement contained in the SDGs, UMKM of Trenggalek typical food producers face many challenges. One of them is lack of access to information, especially market information, limited by human resources so they have not been able to develop strategies and business models that are occupied [reword]. This results in low market orientation and weak competitiveness at the global level. As a result, UMKM typical food producers of Trenggalek cannot direct the development of their businesses in a clear and focused manner, it tends to stagnate.

Facing product competition happening in the market today, one should be continuously innovative. The chosen strategy is product diversification and innovation. By creating a different product that is unique, and has never been done before, it certainly will add value to the product. In determining product diversification and innovation, appropriate management strategies, business models and analyses are needed. The business model is defined as the exposure to strategies that must be made by UMKM typical food producers of Trenggalek before starting to compete with other businesses. There are numerous strategies explained in a business model because they relate to many aspects of a business. The business model includes regulating the objectives of the business participants' relationship with suppliers, with distributors or directly with customers.

Describing the business model correctly will help UMKM of Trenggalek typical food producers find business goals clearly, discuss the targets that must be achieved first, so they can win the competition. One analytical tool that can help us find the right business model is the canvas business model. This business model was first introduced by Osterwalder who explains a simple framework for presenting important elements contained in a business model. The Business Model Canvas is a business strategy management that allows us to describe, design and then narrow down several aspects of the business into a single business strategy. Referring to the background that has been described, the formulation of the problem raised in this study states: "What is the description of the business model for Micro, Small and Medium Enterprises (UMKM) especially for Trenggalek typical food producers, to

welcome the era of SDGs?" The aims of research were to: (a) know the description of the business model for micro, small and medium enterprises (UMKM) especially for Trenggalek typical food producers to welcome the era of SDGs; (b) identify internal factors (strengths and weaknesses) and external factors that influence UMKM typical of processed food products of Trenggalek by using a SWOT analysis approach, to determine strategies and steps in the context of diversification, innovation and creativity towards production results; (c) map the selection of the most appropriate strategy for micro, small and medium enterprises (UMKM) especially for Trenggalek typical food producers using the Business Model Canvas.

### **Research Methodology**

This research is a descriptive study using a qualitative approach through the facts of the field relating to research subjects, namely Micro, Small and Medium Enterprises, processed foods typical of Trenggalek. Moleong (2007: 11) mentions that descriptive research emphasizes data in the form of words, pictures, rather than numbers caused by the application of qualitative methods. According to Patton (1990:68), a qualitative approach that is equated with an interpretive paradigm, is also called a phenomenological or naturalistic paradigm.

#### ***a. Unit Analysis***

The study's subjects were micro, small and medium enterprises typical of Trenggalek snacks. Data collection techniques in this study included selecting informants as research subjects and research locations with the aim of studying or understanding the main problems (Herdiansyah, 2009).

This research uses purposive sampling to determine informants, according to Usman (2004: 47), purposive sampling is used if the informants are chosen specifically based on the aims and objectives of the study. Informants in the study are UMKM who pursue the specialty snacks of Trenggalek namely Tempe Chips, Manco, Alen-alen, and others. Other informants were the Department of Cooperatives, Small and Medium Enterprises, Industry, Trade, Mining and Energy (Koperindagtamben) of Trenggalek Regency, as well as related parties of small businesses.

#### ***b. Data Collecting Technique***

Data and information involved informants as information providers. At this stage, the researcher carried out the data collection process that based on the research focus. Data collection methods used in this study are as follows:

- 1) Observation: the purpose of this observation is to observe the research object, so that we can understand the actual conditions. Observers are non-participatory, i.e. the researcher is outside the observed system.
- 2) In-depth interviews by conducting question and answer or direct conversations with respondents with all available data sources based on a list of questions raised by researchers as a guide to data sources.
- 3) Documentation is useful because it can provide a broader background on the subject of research that can be used as triangulation material to check data becomes the main material in research.
- 4) Focus Group Discussion, this method is to collect data through a centralized discussion, as an effort to find the meaning of an issue by a group of people through discussion to avoid self-interpretation of wrong meaning by a researcher (Rahardjo, 2011).

**c. Data Processing**

The data obtained as material for modelling using Business Model Canvas. The results of this data processing are used to determine the diversification strategy of the typical processed food UMKM products of Trenggalek. After analysing the nine building blocks, the next step is to conduct a SWOT analysis to determine the strengths, weaknesses, opportunities and threats of each block. Analysis is carried out to determine UMKM strategic position which will be used as a basis for determining the diversification strategy undertaken.

**The Research Results**

**a. Overview of Micro, Small and Medium Enterprises in Trenggalek Regency**

This research was carried out in the Trenggalek Regency area, with a research focus on Micro Small and Medium Enterprises (UMKM) typical snacks of Trenggalek. According to data from the Department of Mining and Energy Trade Industry Cooperatives (Koperindagtamben), in 2017 there were 387 Micro and Small Medium Enterprises centres scattered in various districts and villages / villages with a variety of snack products. The most popular special foods from the Trenggalek area include tempe kripik, manco, and alen alen, but besides these products there are also many others such as mbothe chips, banana sale, and others.

**b. Analysis of Business Model Canvas Typical Trenggalek Snack Products**

In the perspective of its development according to Arief Rahmana (2009: B-12), Micro and Small Enterprises (MUMKM) can be classified into 4 (four) groups, namely: (a) Livelihood Activities, eating MUMKM used as employment opportunities to earn a living, more

commonly known as the informal sector. (b) Micro Enterprise, eat MUMKM that have the nature of artisans but do not yet have the nature of entrepreneurship. (c) Small Dynamic Enterprise, which is an MSME that has an entrepreneurial spirit and is able to accept subcontracting and export work. (d) Fast Moving Enterprise, incorporates UMKM who already have an entrepreneurial spirit and will transform into Big Business (UB) Equality. Based on this view from the results of data mapping in the field, the small and medium sized businesses in Trenggalek can still be classified into 3 groups, namely: (a) Livelihood Activities, (b) Micro Enterprise, and (c) Small Dynamic Enterprise. The following is a description of the small and medium sized businesses of typical food in Trenggalek, in the context of the Business Model Canvas:

### ***1) Customer Segments***

Based on the identification made, the small and medium business operators of typical food in Trenggalek appearing on average in each group (Group 1, Group 2, and Group 3) have a customer segment in the shops (gift agents), the general public and local tourists.

### ***2) Value Propositions***

The proportion of value owned by small and medium scale businesses of typical food in Trenggalek, especially in the products and services offered in each group is almost the same, including: snacks, affordable prices, products without preservatives, and good taste. Specifically group 3 has added value to; premium raw materials, distribution centres in certain cities.

### ***3) Channels (Saluran)***

Channels that were built by small and medium food entrepreneurs in Trenggalek at this time each group included a typical souvenirs outlet / shop service, partner outlets, as well as some online media usage, as well as an agency network (still carried out by MUMKM, specifically group 3).

### ***4) Customer Relationship***

The relationships established by small and medium sized businesses of typical food in Trenggalek, each group simultaneously providing answers to offer discounts and special offers, but in Group 2, there is additional innovation in new products and following of market trends. At the same time, the goal of Group 3 is to provide a discount program on purchases in large quantities, as well as providing purchasing admins and customer care to foster communication with customers.



**5) *Revenue Streams***

Income generated by small and medium sized businesses of typical food in Trenggalek for Group 1, Group 2 and Group 3, namely revenue through direct sales, and sales revenue through the ordering process.

**6) *Key Resources***

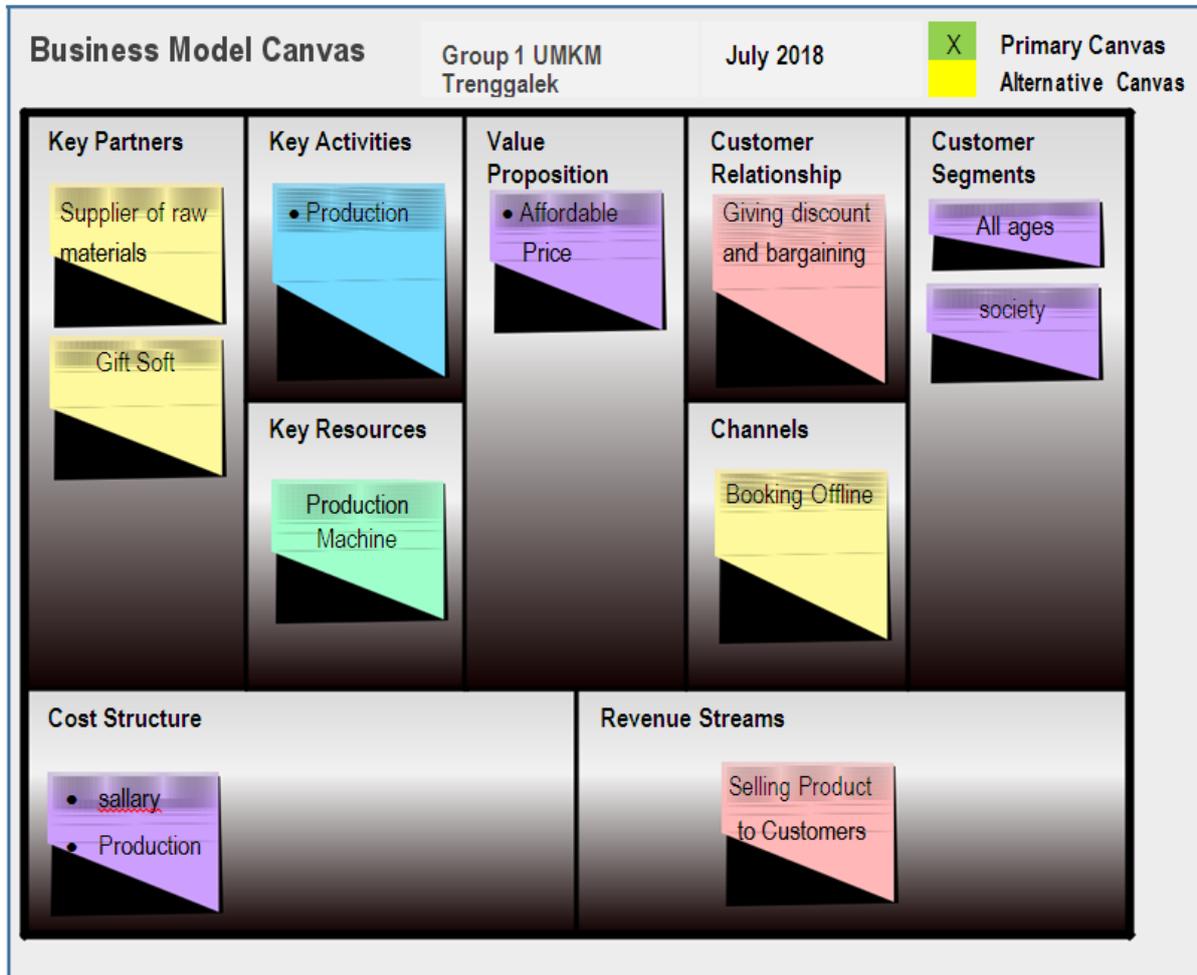
In running their business, the small and medium sized businesses of typical food in Trenggalek, Group 1, Group 2, and Group 3, use 4 (four) main resources, among others physical assets (raw materials, land and buildings), Financial (business capital), Intellectual (brand, copyright, and peten), and Human Resources (workers).

**7) *Cost Structure***

Funding incurred by small and medium scale food entrepreneurs in Trenggalek in carrying out their business activities in Group 1, Group 2, and Group 3, including production costs (materials and employee salaries), promotion, transportation, electricity and rent.

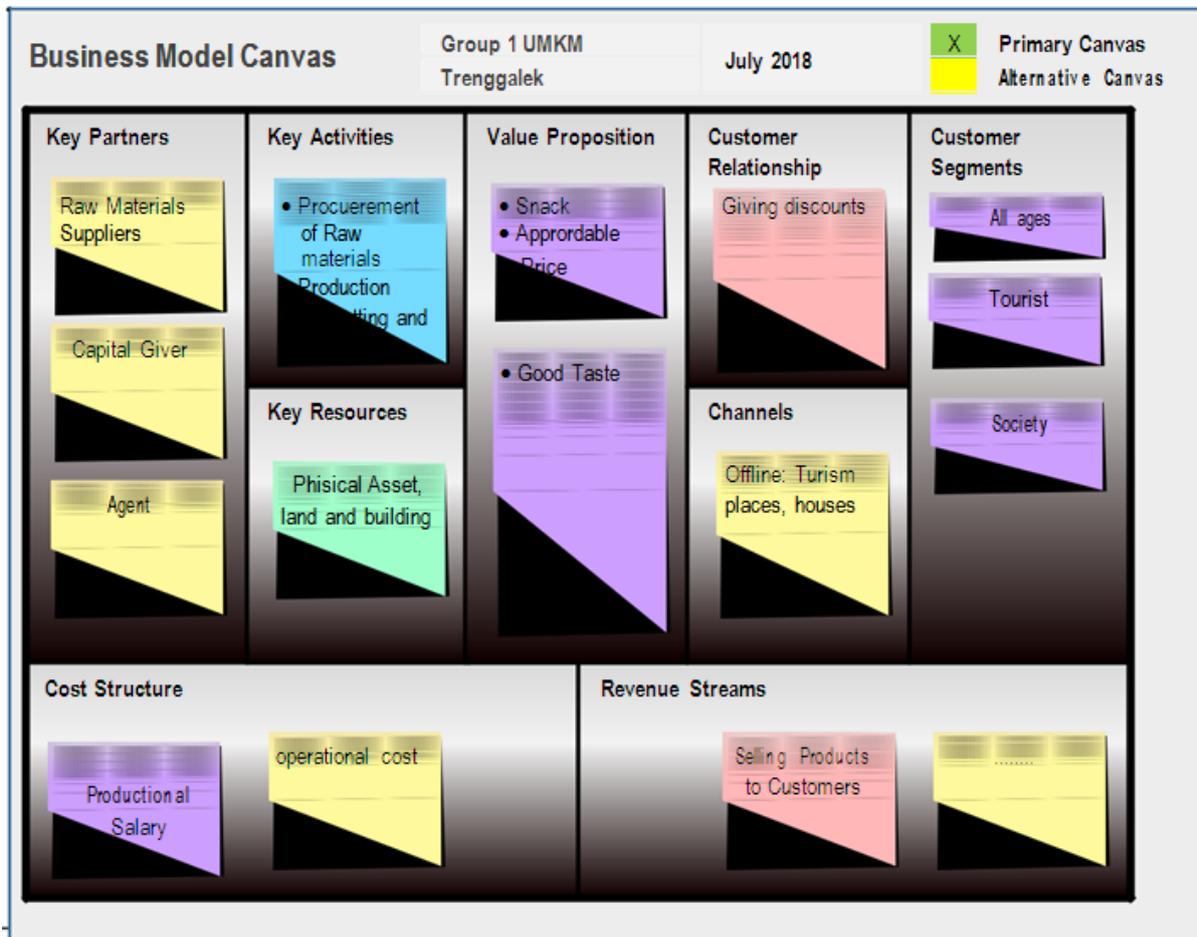
**Discussion**

Design Business Model Canvas for Small and Medium Enterprises Trenggalek Typical Snack Products. Group 1: Business participants earn a living, figure 3. Business Model Canvas Small and Medium Enterprises Trenggalek Typical Snack Products, Group 1: Businesses to make a living.



Sumber: [www.businessmodelgeneration.com](http://www.businessmodelgeneration.com), diolah Peneliti Tahun 2018

In Figure 3, Figure 4, and Figure 5, a picture of the Trenggalek Typical Snack Small Business Medium Canvas Business Model for Business Group 1 entrepreneurs, namely businesses to make a living, is referred to at this time. This description can be seen in each block that has its own characteristics, an explanation of 9 blocks in the Business Canvas model is presented as follows. Figure 4. Business Model Canvas Small and Medium Enterprises Trenggalek Typical Snack Products, Group 2: Business people who are craftsmen but do not yet have an entrepreneurial spirit



Sumber: [www.businessmodelgeneration.com](http://www.businessmodelgeneration.com), modified by researcher in 2018.

### Customer Segments

The customer segment of small and medium sized businesses that are typical of food [missing text] in Trenggalek for Group 1 is a group of people of all ages and does not differentiate between social strata or the general public, while Group 2 adds a segment to Travelers. Based on this fact, the customer segment is still general and does not focus on specific customer groups. In this finding, only three groups are more segmented they are the community, s students and social activists (although in terms of age these can be very common and diverse).

### Value Propositions

The proportion of value held by small and medium scale businesses of typical food in Trenggalek, especially in the products and services offered, is still only based on affordable prices. The proportion of other values offered has not yet touched on more specific things to

provide more value to customers, so there is a potential for customers to choose other products. Specifically, Group 3 strives to maintain customer loyalty by using premium materials, creating center distribution services. Figure 4. Business Model Canvas Small and Medium Enterprises Trenggalek Typical Snack Products, Group 3: Entrepreneurs who have an entrepreneurial spirit.

Business Model Canvas		Group1 UMKM Trenggalek	July 2018	X Primary Canvas Alternative Canvas
<b>Key Partners</b>	<b>Key Activities</b>	<b>Value Proposition</b>	<b>Customer Relationship</b>	<b>Customer Segments</b>
Farmers Community as the suppliers Shops for Suppliers materials Ekspedition Agent/ Partners	<ul style="list-style-type: none"> <li>Procurement of raw materials</li> <li>Productions</li> <li>Marketing and</li> </ul> <b>Key Resources</b> Brand, Copy rights and Paten	<ul style="list-style-type: none"> <li>Snack</li> <li>Premium raw materials</li> <li>Without Preservaties</li> <li>Center of Distribution</li> </ul>	Providing admin Selling, Making account for costumer care  <b>Channels</b> Offline: Jaringan Keagenan Online: Facebook	7- 40 years  Students and university students  Teenagers  Motivate Media Sosial
<b>Cost Structure</b>			<b>Revenue Streams</b>	
Salary Production	Distribution cost		Selling products to customers	.....

Sumber: [www.businessmodelgeneration.com](http://www.businessmodelgeneration.com), modified by researcher in 2018  
Patent [see column 2 above]

**a) Channels**

Channels used by small and medium business food specialists in Trenggalek for Group 1 and Group 2, use direct channels (offline sales) where customers make purchases and cash payments at stores / homes. As for Group 3, opening up space in utilizing technology, online (bookings through accounts among others, Facebook, Instagram, websites, etc.) to reach customers, as well as payments via bank transfers, although still completing offline sales and cash payments.

**b) *Customer Relationships***

The relationship between small and medium scale food entrepreneurs in Trenggalek and customers is established by giving discounts and special offers (made by the three groups). In addition to maintaining relationships, Group 3 also provides a special purchasing admin, and creates an account for customer care, so that customer complaints can be accommodated and service improvements are made.

**c) *Revenue Streams***

The revenue streams obtained by small and medium sized food entrepreneurs in Trenggalek for the three groups still focus on direct sales to customers.

**d) *Key Resources***

The main resource for small and medium sized food entrepreneurs in Trenggalek for Group 1 is production, which to this day has difficulty in finding its machinery. Group 2 and Group 3 insist that completing business is highly dependent on Physical Assets, Land and Buildings, and Human Resources. In another part, Group 3 is focused on managing brands, copyrights and patents which in the future are expected to increase public confidence in products including human, financial and physical assets.

**e) *Key Activities***

The key activities carried out by small and medium scale businesses in Trenggalek for the three groups in focus are the same, namely production. The differentiating factor for this group occurs in Group 2 and Group 3, which encompasses marketing and distribution design and mapping, while Group 3 aims and adds another space, namely product promotion.

**f) *Key Partnerships***

The main partners of typically small and medium sized food businesses in Trenggalek for Group 1 are suppliers of raw materials and stores, in Group 2 suppliers of raw materials, stores, and agents, while in Group 3 a community of suppliers of raw materials (farmers / craftsmen), flour shops, and shipping services (expeditions)

**g) *Cost Structure***

The structure of costs incurred by small and medium sized businesses typically related to food in Trenggalek is on average the same for all three groups namely production costs, employee salaries, while promotion costs are still only carried out by Group 3 .



## Conclusions

With reference to the discussion, it can be concluded that small and medium sized businesses of typical food in Trenggalek come in three groups, namely:

- a) Livelihood Activities: Business participants making a living
- b) Micro Enterprise: A business person who is a craftsman but does not have an entrepreneurial spirit
- c) Small Dynamic Enterprise: Entrepreneurs who have an entrepreneurial spirit.
- d) Another finding is that business operators find it difficult to reach the international market (export) due to document, legality, licensing and access issues.
- e) Based on the overall findings, researchers need to modify / create a canvas business model that matches the behaviour of UMKM in Trenggalek by referring to and integrating from a number of successful UMKMs in Trenggalek.



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